

AR26

The
Sterling Trusts
Corporation
Sixtieth
Annual Report
1971



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FINANCIAL COUNSEL

— ESTABLISHED 1925 —

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Press Article Authorized by:

AR26

W/C/B
Sterling Trusts Corporation,
372 Bay Street,
Toronto, Ontario.

● FOR RELEASE

12 NOON-MONDAY
FEB. 9-70

INTEREST RATES "TOPPED"-LITTLE POSSIBILITY OF DECLINE NEAR FUTURE ✓

N.F.PETERSEN, PRESIDENT, STERLING TRUSTS, TELLS ANNUAL MEETING

Interest rates today have "topped" although there is little possibility of any appreciable decline in the near future, N. F. Petersen, president, Sterling Trusts Corp., told the annual meeting.

Accelerating inflation holds a threat to our very way of life, Mr. Petersen said in pointing out that interest on Canada's public debt now requires 13 cents out of every tax dollar levied. One can only hope that the balanced budget concept has been reached soon enough and that governments will maintain a balanced budget position for a long enough period so as to reduce inflation to acceptable levels.

The proposals in the White Paper project a basic change in the philosophy of the Canadian government from the encouraging climate of private enterprise to that of a social welfare economy. There appears to be a concerted effort to remove the economic conditions which encourage the combined efforts of the aggressive entrepreneur to meld risk capital with labor and substitute therefore the welfare state. Surely Canada on the brink of possible economic greatness must create the economic environment which will not only retain the existing development components but in addition thereto encourage further expansion, the president concluded.

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Press Article Authorized by:

FW
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372 Bay Street,
Toronto, Ontario.

● FOR RELEASE

SATURDAY
AUGUST 8, 1970

STERLING TRUSTS RESULTS FIRST HALF AFFECTED BY HIGHER INTEREST COSTS

Net profit of Sterling Trusts Corp. of \$149,117, equal to 26.5 cents a share, for the six months ended June 30, 1970 compares with \$161,141 or 28.5 cents last year, N.F. Petersen, president reports.

Gross revenue was \$2,186,312 against \$1,856,705. Results for the period under review are not necessarily indicative of those for the full year.

Guaranteed account comprising trust certificates and savings deposits totalled \$50,200,339 at June 30 compared with \$47,481,929 at Dec. 31 and \$45,394,344 *at June 30* a year ago. First mortgages were \$41,528,742 *at June 30* against \$39,296,464 and \$36,796,054 respectively.

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372 Bay Street,
Toronto, Ontario.

● FOR RELEASE

FRIDAY
AUGUST 6, 1971

STERLING TRUSTS PROFIT HIGHER FIRST HALF

Net profit of Sterling Trusts Corp. of \$176,100 or 31 cents a share for the six months ended June 30, 1971 are up from \$149,117 or 26.5 cents last year. Gross revenue was \$2,555,300 against \$2,186,312.

Increased volume of business combined with the decline in interest rates in the first quarter contributed to the improvement in earnings, N. F. Petersen, president, states. Results for the period are not necessarily indicative of the full year.

Guaranteed account (trust certificates and savings deposits) totalled \$57,016,100 at June 30 compared with \$50,200,339 a year ago. First mortgages increased to \$48,644,600 from \$41,528,742.

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Sterling Trusts Corporation,
372 Bay Street,
Toronto, Ontario.

● FOR RELEASE

12 NOON-MONDAY
FEB.8-71

GOVERNMENT SHARE OF GROSS NATIONAL PRODUCT INCREASING STEADILY

N.F.PETERSEN, PRESIDENT, STERLING TRUSTS, TELLS ANNUAL MEETING

Government spending is a most significant factor affecting the Canadian economy, N.F. Petersen, president, Sterling Trusts Corp., told shareholders at the annual meeting in Toronto. Attempts to allocate a distribution of the tax dollar between the various levels of government have resulted in no relief for the tax payer, but in fact an increasing tax burden. The government's share of the gross national product rose to over 38 percent in 1970 from 35 percent in 1967. The significance of this can be best understood when one realizes that all the gross national production generated from January 1 to mid May is required to finance governments of one kind or another before any direct benefits can be retained by the individual for his own use.

The individual citizen sees more and more of his right and opportunity to make his own decisions to control his destiny reduced, thus sapping his energy and drive in controlling his financial destiny.

Concluding, Mr. Petersen said that the economic climate in 1971 in which to operate a financial business such as a trust company is a difficult one requiring close control and a minimum of gimmicks.

President

Vice-Presidents

ELTON R. MEREDITH - - - - - Orillia, Ont.

J. ALEX WILSON, B.A.Sc., P.Eng. - - - - - Orillia, Ont.

MESSRS. PEAT, MARWICK, MITCHELL & CO.

INCORPORATED IN NINETEEN HUNDRED AND ELEVEN
MEMBER OF CANADA DEPOSIT INSURANCE CORPORATION

EXECUTIVE COMMITTEE

N. F. PETERSEN

S. B. ADAMS, C.A.

ROBERT BIGELOW, a.c.

H. T. BURGESS

R. I. HENDY, a.c.

H. D. LANGDON, a.c.

E. R. MEREDITH

OFFICERS

N. F. PETERSEN - - - - - *President*

ROBERT BIGELOW, a.c. - - - - - *Vice-President*

H. T. BURGESS - - - - - *Vice-President*

ELTON R. MEREDITH - - - - - *Vice-President*

T. GORDON TAYLOR - - - - - *Managing Director*

DENNIS W. JONES, F.C.I.S. - - - - - *Assistant General Manager*

F. C. BEVERIDGE - - - - - *Secretary and Transfer Officer*

J. L. ALLAN - - - - - *Trust Officer*

J. K. BREakey - - - - - *Asst. Manager, Stock Transfer Department*

ARTHUR IVINEY - - - - - *Manager, Mortgage Department*

J. P. LETROS - - - - - *Real Estate Appraiser*

G. RAAG - - - - - *Manager, Guaranteed Trust Department*

J. A. SHUTE - - - - - *Manager, Toronto Office*

J. H. WOOD - - - - - *Accountant*

Special Representatives

C. LESLIE CHITTICK

H. E. HALL

D. F. TWISS

R. E. WHITE

To Our Shareholders:

The Sixtieth Annual Report for the fiscal year 1971 is submitted for your approval.

The operating results for 1971 were most gratifying, with after tax profits increasing by \$143,789 to \$452,046, an increase of 46.64%. This represents earnings per share of 80.1¢ compared with 54.6¢ per share for 1970 restated. Included in the 1971 earnings per share is 10.4¢ gain on realization of securities, the earnings per share being based on the number of shares outstanding at 31st December, 1971.

The increase in profits can be attributed to three main factors, these being declining interest rates in the latter part of 1971, changes in the investment portfolio whereby a significant portion of our former holdings of municipal bonds was realized, the proceeds being invested in mortgages with a subsequent increase in yield, and finally a significant increase in the volume of business in savings deposits and guaranteed trust certificates with the funds realized being invested in mortgages. The bulk of the mortgage portfolio is in residential real estate, a considerable portion being in single family dwellings.

During 1971 the Province of Ontario amended the Loan and Trusts Corporations Act to require that auditors reporting to shareholders on financial statements of companies incorporated under that Act should state in their report that the statements have been prepared "in accordance with generally accepted accounting principles".

Whilst your Corporation is incorporated under a federal act it appeared desirable to modify the format of our statements somewhat in order to conform to a greater degree with requirements of the Ontario Act and the recommendations of the Canadian Institute of Chartered Accountants relative thereto. Comparative figures for 1970 have been modified accordingly.

Your Board has made the following plans for development during 1972:

1. Branch development; an agreement has been entered into to lease street level premises at 347 Bay Street at the corner of Bay and Temperance Streets. This branch will open to the public early in the summer and will give added convenience to our customers, particularly in the deposit and mortgage fields. This branch should make a worthwhile contribution to the continuing success of your Corporation. Continuous studies will also be undertaken to select future branch locations for openings at appropriate dates to add to the future profits of the Corporation.
2. Administrative development will include computerization of the guaranteed certificate records and a feasibility study for computerization of the mortgage accounting records. These changes, when operative, should contribute materially to the efficiency of your Corporation and to its ability to cope with an anticipated increase in volume over the coming years.

The dividend of 36¢ per share per annum has not been increased in order to finance the new branch development and through retained earnings add to our reserve funds permitting increased borrowings from the public.

The outlook for 1972 is favourable, although it is difficult to forecast the business climate twelve months ahead with the constant fluctuation in international currencies and the continuing twin threats of inflation and unemployment.

Your Directors were of the opinion that a stock option plan for employees would be beneficial to the future success of the Corporation and such a plan was formulated to be effective in 1972.

Due to changes in the Federal Trust Companies Act Mr. W. A. Dilworth retired from the Board as at December 31st, 1971. I would be remiss if I did not extend to Mr. Dilworth a sincere tribute for his many years of devoted service as a Director of this Corporation.

It is my privilege, on your behalf, to thank the Board of Directors and Staff for their continued interest and dedication relative to the development of the Corporation.


President

Toronto, January 24th, 1972.

WHERE STERLING TRUSTS' REVENUE CAME FROM

73.21% Revenue from Investments Less: Interest on deposits

17.66% Fees and Commissions

9.13% Other Sources



WHERE STERLING TRUSTS' REVENUE WENT

29.38% Salaries and Staff Benefits

20.79% Operating Expenses

20.62% Income Taxes

13.12% Dividends

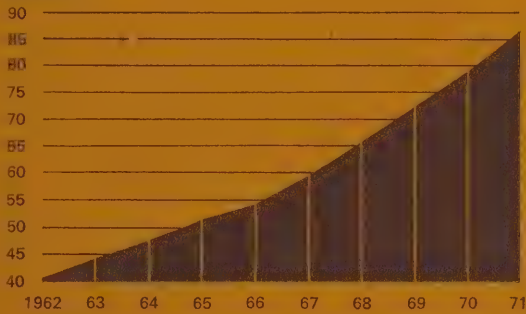
16.09% Retained Earnings



RECORD OF PAST TEN YEARS

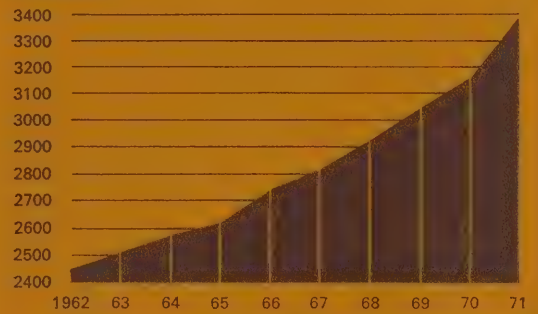
ASSETS UNDER ADMINISTRATION

Millions



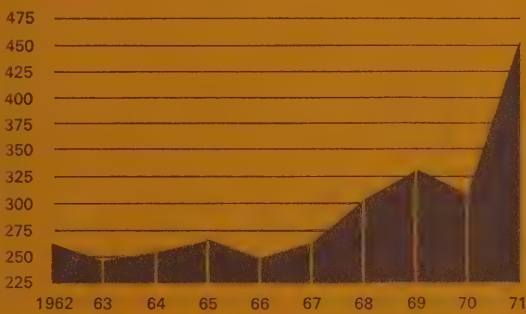
CAPITAL AND RESERVES

Thousands



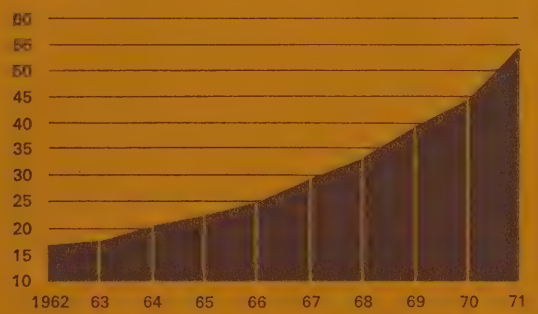
NET PROFIT AFTER TAXES

Thousands



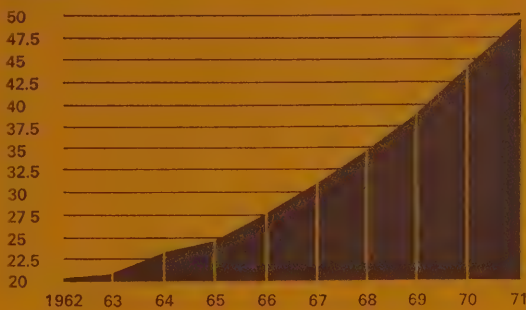
MORTGAGES

Millions



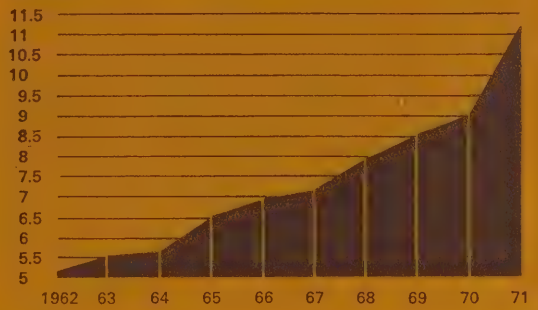
GUARANTEED TRUST CERTIFICATES

Millions



SAVINGS DEPOSITS

Millions



BALANCE SHEET

with comparative

ASSETS

	1971	1970 Restated (note 1)
Cash - - - - -	\$ 776,851	\$ 1,255,864
Securities (note 2):		
Canadian and Provincial Government bonds - - - - -	3,842,959	3,340,961
Canadian Municipal bonds - - - - -	1,534,592	3,189,318
Other bonds and debentures - - - - -	1,100,611	1,234,332
Stocks - - - - -	1,771,447	1,780,155
Total securities - - - - -	8,249,609	9,544,766
Loans:		
Mortgages - - - - -	54,012,924	44,341,392
Loans on securities - - - - -	987,567	1,316,643
Advances to estates, trusts and agencies - - - - -	46,940	42,026
Total loans - - - - -	55,047,431	45,700,061
Office premises and equipment, at cost less accumulated depreciation \$91,649 (1970 \$75,927) - - - - -	206,676	215,916
Other assets - - - - -	20,495	33,114
	<u>\$ 64,301,062</u>	<u>\$ 56,749,721</u>
Total assets under administration:		
Cash, securities and other assets held for estates, trusts and agencies - - - - -	\$ 22,209,139	\$ 22,094,598
Corporation's capital and guaranteed account assets - - - - -	64,301,062	56,749,721
	<u>\$ 86,510,201</u>	<u>\$ 78,844,319</u>

See accompanying

TS CORPORATION

CEMBER 31, 1971

figures for 1970

LIABILITIES AND SHAREHOLDERS' EQUITY

	1971	1970 Restated (note 1)
Guaranteed trust account:		
Savings deposits - - - - -	\$ 11,150,491	\$ 9,073,206
Guaranteed trust certificates - - - - -	49,222,891	44,136,338
Total Guaranteed Trust Account - - - - -	60,373,382	53,209,544
Accounts payable - - - - -	25,577	15,456
Dividend payable - - - - -	50,771	50,771
Income taxes payable - - - - -	45,419	—
Deferred income taxes - - - - -	397,000	314,000
Shareholders' equity:		
Capital stock (note 3):		
Authorized 1,000,000 shares of \$2 each par value		
Issued and fully paid 564,120 shares - - - - -	1,128,240	1,128,240
General reserve - - - - -	2,084,000	1,886,000
Retained earnings - - - - -	196,673	145,710
Total Shareholders' Equity - - - - -	3,408,913	3,159,950
	<u>\$ 64,301,062</u>	<u>\$ 56,749,721</u>

We certify that to the best of our knowledge and belief the foregoing balance sheet is correct and shows truly and clearly the financial condition of the Corporation's affairs.

N. F. PETERSEN, *President*

H. T. BURGESS, *Vice-President*

T. G. TAYLOR, *Managing Director*

THE STERLING TRUSTS CORPORATION

STATEMENT OF EARNINGS, for the year ended December 31, 1971

with comparative figures for 1970

	1971	1970 Restated (note 1)
Revenue :		
Income from mortgages and other loans - - - - -	\$ 4,494,255	\$ 3,696,582
Income from securities - - - - -	525,787	535,234
Fees and commissions - - - - -	273,286	265,653
Other operating revenue - - - - -	72,224	53,586
Total revenue - - - - -	5,365,552	4,551,055
Expenses :		
Interest on guaranteed trust account - - - - -	3,887,311	3,358,493
Salaries and staff benefits - - - - -	454,513	409,705
Premises, including depreciation \$15,724 (1970 \$15,956) - - - - -	112,390	105,378
Other operating expenses - - - - -	209,326	182,548
Total expenses - - - - -	4,663,540	4,056,124
Operating income before income taxes - - - - -	702,012	494,931
Income taxes—current - - - - -	225,900	179,400
—deferred - - - - -	83,000	29,000
	308,900	208,400
Net operating income - - - - -	393,112	286,531
Gain on sale of securities, less related income taxes \$10,100 (1970 \$5,600) - - - - -	58,934	21,726
Net earnings for the year transferred to retained earnings - - - - -	\$ 452,046	\$ 308,257

See accompanying notes to financial statements.

THE STERLING TRUSTS CORPORATION

STATEMENT OF GENERAL RESERVE, for the year ended December 31, 1971

with comparative figures for 1970

	1971	1970 Restated (note 1)
Balance at beginning of year:		
As previously reported - - - - -	\$ 1,350,000	\$ 1,250,000
Prior period adjustment:		
Transfer from mortgage reserve - - - - -	286,000	260,000
Reserve for investments previously deducted from assets - - -	250,000	250,000
Restated - - - - -	1,886,000	1,760,000
Add:		
Transfer from retained earnings - - - - -	198,000	126,000
Balance at end of year - - - - -	<u>\$ 2,084,000</u>	<u>\$ 1,886,000</u>

STATEMENT OF RETAINED EARNINGS, for the year ended December 31, 1971

with comparative figures for 1970

	1971	1970 Restated (note 1)
Balance at beginning of year:		
As previously reported - - - - -	\$ 101,183	\$ 116,471
Prior period adjustment re premises and equipment previously charged to expense - - - - -	44,527	50,065
Restated - - - - -	145,710	166,536
Add:		
Transfer from net earnings for the year - - - - -	452,046	308,257
	<u>597,756</u>	<u>474,793</u>
Deduct:		
Transfer to general reserve - - - - -	198,000	126,000
Dividends - - - - -	203,083	203,083
	<u>401,083</u>	<u>329,083</u>
Balance at end of year - - - - -	<u>\$ 196,673</u>	<u>\$ 145,710</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS, December 31, 1971

- (b) Reserve for mortgages previously included among liabilities transferred as follows:

All of these changes have been given retroactive effect in the accounts, and the balance sheet as at December 31, 1970 and the statements of earnings, general reserve and retained earnings for the year then ended have been restated accordingly. As a result of these changes, assets and liabilities at December 31, 1970 and net income for 1970 have been increased (decreased) as follows:

[illegible]

2. Securities:

Securities issued by the Governments of Canada and the Provinces are stated at amortized cost; other securities are stated at cost:

				1971		1970	
				Cost	Market	Cost	Market
Bonds—Government of Canada	-	-		\$ 2,912,709	\$ 2,915,154	\$ 2,357,017	\$ 2,283,762
Provinces of Canada	-	-	-	930,250	809,009	983,944	794,337
Municipalities	-	-	-	1,534,592	1,438,864	3,189,318	2,791,636
Other	-	-	-	1,100,611	995,728	1,234,332	1,000,230
Stocks	-	-	-	1,771,447	1,789,827	1,780,155	1,836,974
				<u>\$ 8,249,609</u>	<u>\$ 7,948,582</u>	<u>\$ 9,544,766</u>	<u>\$ 8,706,939</u>

3. Employee stock option plan:

During 1971 the Corporation established a stock option plan for employees and reserved 11,700 shares of the Corporation for such purpose. At December 31, 1971 options were outstanding to purchase 11,700 shares at \$7.65 per share exercisable to the extent of one-fifth of the optioned shares during the period of the first to the fifteenth of January in each of the years 1972 to 1976 inclusive; options to purchase 2,040 shares have been exercised in 1972.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of The Sterling Trusts Corporation as at December 31, 1971 and the statements of earnings, general reserve and retained earnings for the year then ended and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at December 31, 1971 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year after giving retroactive effect to the changes in accounting set forth in note 1 to the financial statements.

Toronto, Ontario
January 17, 1972

PEAT, MARWICK, MITCHELL & CO.
Chartered Accountants

OFFICES

TORONTO, ONTARIO 372 Bay Street

J. A. SHUTE, *Manager*

BARRIE, ONTARIO 35 Dunlop Street E.

R. A. FURZECOTT, *Manager*

ORILLIA, ONTARIO 73 Mississaga St. E.

B. M. HEWITT, *Manager*

SERVICES

PERSONAL TRUST —Estates Administration
Estate Planning
Agency Services
Registered Retirement Savings Plans
Cemetery Trusts

CORPORATE TRUSTS —Transfer Agency
Registrar
Dividend Disbursing
Bond Trusteeship

DEPOSITS —Chequing Savings
Personal Deposit
Special Savings Certificates
Guaranteed Trust Certificates

REAL ESTATE —Mortgages
Appraisals
Sales
Management

SAFE DEPOSIT BOXES

